

Message Text

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ACTION EA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 COME-00 TRSE-00 OMB-01

CIAE-00 INR-07 NSAE-00 ACDA-05 PM-03 DODE-00 EB-07

/051 W

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R 041609Z AUG 75

FM AMEMBASSY THE HAGUE

TO AMEMBASSY JAKARTA

INFO SECSTATE WASHDC 6440

CINCPAC

LIMITED OFFICIAL USE SECTION 1 OF 2 THE HAGUE 3909

E.O. 11652: N/A

TAGS: MASS, BEXP, ID, NL

SUBJECT: FRIGATES FOR INDONESIA

REF: (A) THE HAGUE 3877; (B) JAKARTA 9287

1. SUMMARY: RACHMAT WIRANATAKUSUMAH OF SUNDA KARYA, AGENT OF GE, VOLUNTERED ADDITIONAL INFO TO COM COUNS, WHICH BEING REPORTED FOR WHATEVER VALUE IT MIGHT HAVE. NEW DEVELOPMENT IS ALLEGATION THAT DUTCH GROUP STILL HAZY RE SPECIFICATIONS AND PRICE OF FRIGATES, THAT IT QUOTE IMPOS- SIBLE UNQUOTE FOR INDO MILITARY TO SIGN BINDING CONTRACT ON AUGUST 15 AS ORIGINALLY PLANNED. ACCORDINGLY, RACHMAT INTENDS TO PERSUADE INDO NAVY AND HANKAM TO CANCEL ARRANGE- MENT WITH DUTCH AND PURCHASE VESSELS FROM AMERICAN GROUP. MC MULLEN ASSOCIATES OF NEW YORK/AVONDALE SHIPYARDS, NEW ORLEANS. COMMENT: RACHMAT NATURALLY BIASED BECAUSE HE ALSO AGENT OF MC MULLEN AND WOULD GAIN FROM ORDER TRANSFER TO AMERICAN GROUP. GE EXECUTIVES AWARE OF ABOVE. COM COUNS ADVISED BOTH GE AND RACHMAT TO EXERCISE CAUTION AND RE- STRAINT IN ORDER TO AVOID JEOPARDIZING GE'S CHANCES FOR ENGINES OF THREE FRIGATES. END SUMMARY.

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2. RACHMAT WIRANATAKUSUMAH OF SUNDA KARYA, AGENT OF GE, VOLUNTEERED ADDITIONAL INFO ON SUBJECT GO COM COUNS ON AUGUST 1. IT IS BEING REPORTED FOR WHATEVER VALUE IT MIGHT HAVE.

3. AS BACKGROUND, HE INDICATED THAT PHILIPS OF THE NETHS, WHICH IS SCHECULED TO DELIVER THE FIRING SYSTEM, WAS INSTRUMENTAL IN BRINGING TOGETHER THE INDO NAVY AND RHINE-SCHELDE-VEROLME (RSV)/NEVESBU REGARDING THE SUBJECT THREE FRIGATES. IN ADDITION THS TRANSACTION IS ALLEGED TO BE RESULT OF PRESIDENT SUHARTO-PRINCE BERNHARD "UNDERSTANDING."

4. ENGINEER SASMITO SONTOKOESOEMO, A CIVILIAN EXPORT WORKING FOR THE INDO NAVY, WHO CAME TO THE HAGUE WITH ADMIRAL MOCHTAR AND WHO PARTICIPATED IN THE INDO-DUTCH DISCUSSIONS HERE, TOLD RACHMAT THAT IT WAS QUOTE IMPOSSIBLE UNQUOTE TO SIGN A FINAL CONTRACT ON AUGUST 15, AS CURRENTLY SCHEDULED. AT BEST AND ONLY FOR POLITICAL REASONS WOULD IT BE POSSIBLE TO SIGN ANOTHER MEMORANDUM OF UNDERSTANDING ON THAT DATE, TO BE FOLLOWED BY INTENSIVE NEGOTIATIONS OVER THE REST OF THIS YEAR. THUS SASMITO EXPECTS A CONTRACT TO BE SIGNED IN JANUARY 1976 RPT 1976 AT THE EARLIEST IF HANKAM WERE TO INSIST ON DEFINITE AND PRECISE SPECIFICATIONS OF THE FRIGATES PRIOR TO COMMITTING ITSELF. MAIN REASONS FOR ABOVE ADVANCED BY SASMITO WERE THAT THE DUTCH GROUP WAS NOT READY, THAT THERE WERE STILL MANY TECHNICAL QUESTIONS WHICH HAD NOT BEEN DECIDED, INCLUDING THE REQUIRED SPEED OF 30 KNOTS, THE PAYLOAD OF THE FRIGATES, AND EVEN THEIR TONNAGE (WHETHER 1,000 TONS OR 1,500, OR SOME OTHER NUMBER), AS WELL AS THE EXACT PRICE.

5. INDO REGIONAL DEFENSE ATTACHE, COLONEL IWAN, OF INDO EMBASSY, BONN, WHO JOINED ADMIRAL MOCHTAR HERE AS PER HANKAM INSTRUCTIONS, TOLD RACHMAT THAT HE WAS OPPOSED TO SIGNING A BINDING CONTRACT WITH THE DUTCH GROUP ON THE BASIS OF THE CURRENT SITUATION. IWAN WILL RETURN TO JAKARTA WITH MOCHTAR ON AUGUST 9, AND WILL PREPARE A MEMO FOR HANKAM EXPRESSING HIS VIEWS.

6. RACHMAT INSISTED THAT DUTCH GROUP'S TECHNICAL AND COST DATA FOR FRIGATES STILL SO HAZY THAT IT IMPOSSIBLE FOR INDO LIMITED OFFICIAL USE
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GOVT TO SIGN BINDING AGREEMENT. ACCORDINGLY HE INTENDED MAKE MAJOR EFFORT TO HAVE AGREEMENT WITH DUTCH CANCELLED BY INDO MILITARY. THIS FOR PURPOSE OF TRANSFERRING ORDER FOR THE THREE FRIGATES TO THE AMERICAN GROUP: JOHN J. MC MULLEN ASSOCIATES, INC. OF NEW YORK CITY AND THE AVONDALE SHIPYARES, NEW ORLEANS. HE STATED LATTER GROUP COULD SUPPLY MUCH BETTER FRIGATES, WITH TWO GE LM 2500 ENGINES EACH INSTEAD OF ONE AS PLANNED BY DUTCH, MUCH MORE SOPHISTICATED ARMAMENT, GUARANTEED SPEED OF 34 KNOTS, AT PRICE LOWER THAN THAT NOW CONTEMPLATED BY DUTCH FOR LESS DESIRABLE FRIGATES. THE VESSEL PROPOSED BY MC MULLEN, NAVAL ARCHITECTS AND ENGINEERS, IS THE JJMA MK.I-2100 MULTI-PURPOSE FRIGATE. RACHMAT HAS

MAINTAINED DAILY PHONE CONTACT FROM HERE WITH MC MULLEN.
LATTER NOW WORKING ON CRASH QUOTE BUT THOROUGH UNQUOTE
PRESENTATION TO DUTCH NAVY AND HANKAM IN JAKARTA, PLANNED
FOR AUGUST 14. MC MULLEN'S WASHINGTON SALES MANAGER WILL
MAKE THE PRESENTATION. RACHMAT STATED COLONEL IWAN TOLD
HIM IN PRESENCE OF GE'S EDWARD RAWSON THAT HE SHOULD WORK
ON CANCELLATION OF ORDER WITH DUTCH AND ITS TRANSFER TO
MC MULLEN/AVONDALE, IWAN ADDING THAT HIS OWN REPORT ON

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R 041609Z AUG 75

FM AMEMBASSY THE HAGUE

TO AMEMBASSY JAKARTA

INFO SECSTATE WASHDC 6441

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SUBJECT TRANSACTION WILL NOT RPT NOT BE FAVORABLE TO DUTCH.

7. ACCORDING RACHMAT, INDO NAVY HAS BEEN ALLOCATED A BUDGET
OF \$150 MILLION FOR FRIGATES AND THUS IS NOT DEPENDENT ON
THIRD PARTIES FOR FINANCING.

8. MC MULLEN HAS INVITED ADMIRAL MOCHTAR TO VISIT ITS
OFFICES AND AVONDALE SHIPYARDS FACILITIES BY LETTER OF
JULY 28, A COPY OF WHICH GIVEN TO COM COUNS. RACHMAT SAID
THAT MOCHTAR HAD ACCEPTED IN PRINCIPLE, BUT HAD NOT SET
DATE OF VISIT. RACHMAT ALSO STATED THAT MOCHTAR INDICATED
POSSIBILITY OF PURCHASE OF SUBMARINES THROUGH MC MULLEN TO
REPLACE SOVIET SUBMARINES OF INDO NAVY. HE ALSO REFERRED
TO POSSIBLE PURCHASE OF ADDITIONAL BUT LARGER FRIGATES
FROM MC MULLEN BESIDES SUBJECT THREE VESSELS. RACHMAT
INDICATED JAKARTA DLG AWARE OF MC MULLEN'S INTEREST IN
INDONESIA.

9. RACHMAT INTENDS TO CONTACT NAVY CHIEF OF STAFF AND
HASNAN HABIB OF HANKAM RE ABOVE. ORIGINAL PLAN WAS TO HAVE
DUTCH GRUP SUBMIT TO HASNAN A COMPARATIVE STUDY OF THE TWO
ENGINES. THIS ACCORDING TO RACHMAT AND GE WOULD HELP

REPLACEMENT OF ROLLS ROYCE BY GE. IF STUDY NOT DONE BY
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DUTCH GROUP, MOCHTAR REPORTEDLY TOLD THEM HE WOULD HAVE TO
DO IT HIMSELF. NOW RACHMAT INTENDS TO TRY TO PERSUADE BOTH
INDO NAVY AND HANKAM TO CANCEL ARRANGEMENT WITH DUTCH GROUP
IN FAVOR OF MC MULLEN/AVONDALE. INCIDENTALLY
RACHMAT KNOWS HASNAN WELL. HE SAID HASNAN SCHEDULED TO BE
TRANSFERRED TO BAPPENAS AND WOULD CONCENTRATE ON PERTAMINA.

10. COMMENT: IT NOT POSSIBLE HERE TO PROPERLY ASSESS ALL
THE ABOVE. RACHMAT, WHO IS FRIEND OF COM COUNS HARARY,
APPEARS TO BE TOO OPTIMISTIC AND NATURALLY BIASED SINCE HE
ALSO AGENT OF MC MULLEN. HE SAID THAT TRANSFER OF ORDER TO
MC MULLEN WOULD ENABLE HIM TO DERIVE TWO COMMISSIONS FROM
TRANSACTION, FOR GE AND MC MULLEN. GE EXECUTIVES AWARE
OF THE ABOVE. COM COUNS ADVISED BOTH GE OFFICIALS AND
RACHMAT TO EXERCISE CAUTION AND RESTRAINT IN ORDER TO AVOID
JEOPARDIZING GE'S CHANCES FOR ENGINES OF THREE FRIGATES.
THEY SATATED THAT THEY WILL DISCUSS ENTIRE MATTER WITH DLG
AFTER THEIR ARRIVAL IN JAKARTA LATER THIS WEEK.
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